

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D IN
REGULATORY AUTH.

IN RE: PETITION OF UNITED GAS
COMPANY FOR APPROVAL OF A
TRANSPORTATION GAS SERVICE
AGREEMENT WITH SUPERIOR
INDUSTRIES INTERNATIONAL, INC.

)
)
)
)
)
)
)

'01 MAR 21 PM 3 07

OFFICE OF THE
EXECUTIVE SECRETARY

DOCKET NO. 00-01022

PETITIONER'S RESPONSE TO CONSUMER ADVOCATE DIVISION
PETITION TO INTERVENE

Comes now Petitioner United Cities Gas Company and submits this response to the March 12, 2001 Petition to Intervene filed by the Consumer Advocate and Protection Division of the Office of the Attorney General ("Attorney General"). While United Cities does not contest the Attorney General's right to intervene in this matter, it is necessary that United Cities respond to the specific allegations in the Attorney General's Petition.

The Petition alleges that there exists some question as to whether the circumstances of the case fall within Rate Schedule 291 so as to allow United Cities a margin loss recovery.

Under the Gas Transportation Agreement currently under consideration, United Cities has negotiated a reduced rate under the provisions of Rate Schedule 291 with Superior Industries in order to remain competitive and avoid bypass by the customer.

Superior Industries has been operating under Rate Schedule 250 and 260. Rate Schedule 291 does not prohibit customers formerly operating under RS 250 (or any other RS) from negotiating an agreement with United Cities under RS 291. In fact, the express intent of RS 291 is "to provide the Company flexibility to sell gas at a negotiated rate when the otherwise

applicable tariff rates are non-competitive." RS 291 applies to all service areas and was specifically designed "to permit the Company to meet alternative fuel and/or gas to gas competition."

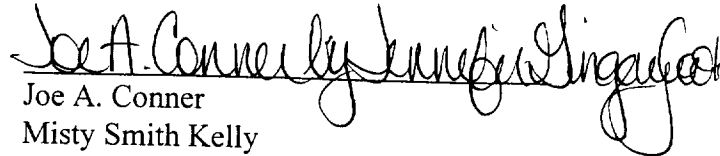
Under RS 291, service to Superior is fully optional and is subject to curtailment prior to optional customers under RS 250. Superior recognizes the increased curtailment risk it faces under RS 291.

The margin loss recovery rider (Sheet No. 44) clearly authorizes the Company to recover not more than 90% of the gross profit margin losses that result from rates negotiated under the provisions of RS 291. Neither the provisions of RS 291 nor the margin loss recovery rider impose limitations on the type of customers with whom the Company may attempt to negotiate. Accordingly, the fact that Superior was under RS 250/260 at the time it negotiated the pending agreement, does not preclude the Company from seeking 90% of gross profit margin losses pursuant to the margin loss rider.

Because United Cities' request for margin loss recovery is authorized under Rate Schedule 291, and was approved in the context of a rate case, such recovery would not result in a single issue rate case.

United Cities requests that it be allowed to more fully brief this issue and/or present evidence in support of its position once the Attorney General's petition to intervene has been granted.

BAKER, DONELSON, BEARMAN
& CALDWELL, P.C.



Joe A. Conner
Misty Smith Kelly
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800

Attorney United Cities Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following parties of interest this 21st day of March, 2001.

Richard Collier
General Counsel, Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Timothy C. Phillips
Office of Attorney General and Reporter
Consumer Advocate Division
Cordell Hull Building
465 Fifth Avenue North, Second Floor
Nashville, TN 37243

